

Memorandum

June 21, 2018

From: Jay R. Jashinsky, CPA

To: Andrew Bateman, JD

Subject: Impairment of Base Load Review Act Construction Work in Process (CWIP).

Based upon a review of Accounting Standards Codification 980 and conversations with the outside consultants, it is our understanding that SCE&G is not necessarily required, under certain conditions, to impair CWIP.

So long as there is the possibility that SCE&G could recover CWIP costs in the future, SCE&G has the option not to impair the assets. Under ASC 980-360-35-3, SCE&G would conduct an evaluation of the potential for future cash flows through rates that would allow SCE&G to recover its costs and a return. The standard states, "that determination shall focus on the facts and circumstances related to the specific abandonment and shall also consider the past practice and current policies of the applicable regulatory jurisdiction on abandonment situations." Thus, SCE&G would make an evaluation based on its judgement as to whether the CWIP could be recovered in the future, then decide whether an impairment is warranted. The conservative approach would be to record an impairment if it believes that CWIP recovery is not guaranteed. Furthermore, pursuant to discussion with the outside consultant, it is ORS' understanding that, should only partial suspension of SCE&G's revised rates be required, a conservative approach taken by SCE&G may be to only impair the portion of CWIP that corresponds to suspended revised rates.